

FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

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Statement of Trustees' Responsibilities

Law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year, which show a true and fair view. The Trustees are also required to prepare their financial statements in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. The financial statements are prepared on an accruals basis and are required to show a true and fair view of the Museum's financial activities during the year and of the financial position of the Museum at the end of the year.

In preparing financial statements giving a true and fair view, the Trustees should follow best practice and:

- observe the Accounts Direction issued by the Secretary of State, which sets out accounting and disclosure requirements;
- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for Sir John Soane's Museum. His relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the finances are set out in *Government Accounting* issued by HM Treasury. The Accounting Officer is also responsible for ensuring that all published versions of the financial statements, whether in printed or electronic format, represent accurate reproductions of the information contained in the statutory financial statements approved by the Trustees.

Statement on Internal Control

We have responsibility for maintaining a sound system of internal control that supports the achievements, policies, aims and objectives of Sir John Soane's Museum, whilst safeguarding the public funds and assets for which we are personally responsible in accordance with the responsibilities assigned to us in *Government Accounting*.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they occur, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The Trustees meet at least four times a year to consider the plans and overall strategic direction of the Museum. The Management Team meets on a monthly basis to manage all executive activities. The overall responsibility for risk management rests with the Trustees to determine the way risk or change in risk has been identified, evaluated and controlled. The Trustees review the Risk Register on an annual basis and delegate ongoing scrutiny to the Audit and Finance Committee. We have responsibility for ensuring that staff are suitably trained to manage risk in a way appropriate to their authority and duties.

The Management Team was responsible for initially identifying the major risks, which are set out in the Risk Register, and for implementing a system to assess and monitor them. All staff within the Museum have a responsibility to manage risk in their own areas of responsibility taking appropriate action to mitigate, anticipate or exploit the threats or opportunities that arise. The Trustees set the level of risk appetite (the level of risk remaining after internal controls have been exercised and which they deem to be acceptable and justifiable). Risks of doing and not doing particular work are considered in all proposals and at each level of business planning and assessed by the Management Team and Trustees as appropriate within the risk management framework.

We also have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the senior managers within the Museum, who have responsibility for the development and maintenance of the internal control framework, reports from the internal auditors, and comments made by the independent auditor in management letters and other reports.

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Trustees;
- regular reviews by the Trustees of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- scrutiny by the Audit and Finance Committee; and
- as appropriate, formal project management disciplines.

We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Trustees and the Audit and Finance Committee, and we will ensure that work towards continuous improvement is maintained.

R. A Griffiths
Chairman

Tim Knox
Director and Accounting Officer
17 July 2006

Independent Auditor's Report

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Sir John Soane's Museum for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies Order). These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustees, the Director and the Auditor

The Trustees and the Director, as Accounting Officer, are responsible for preparing the Trustees' Report, the Remuneration Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Secretary of State for Culture, Media and Sport, and for ensuring the regularity of financial transactions funded by Parliamentary grant ("Grant in Aid"). These responsibilities are set out in the Statement of Trustees' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder. I also report whether in all material respects the expenditure, income and resources funded by Grant-in-Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Annual Report is not consistent with the financial statements, if the Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 56 reflects the Museum's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Accounting Officer's Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Museum's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent mis-statements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Independent Auditor's Report (continued)

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Museum's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material mis-statement, whether caused by fraud or error and that in all material respects the expenditure, income and resources funded by Grant-in-Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Secretary of State for Culture, Media and Sport, of the state of affairs of Sir John Soane's Museum as at 31 March 2006 and of the incoming resources and application of resources and cashflow for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

Date 18 July 2006

Summary Statement of Financial Activities
For the year ended 31 March 2006

	2006	2005
	£	£
Total incoming resources	1,524,692	1,725,039
Total resources expended	(1,512,969)	(1,666,688)
Net gains on investment assets	-	5,629
Net Increase in Funds	<u>11,723</u>	<u>63,980</u>

Statement of Financial Activities for the year ended 31 March 2006

		2006	2006	2006	2005 (Restated)*
	Note	Unrestricted Funds £	Restricted Funds £	Total Funds £	Total Funds £
Incoming Resources					
Grants from Department for Culture, Media and Sport	2	810,000	281,000	1,091,000	779,100
Other grants and donations	3	39,342	63,266	102,608	500,771
Sales of publications		88,677	-	88,677	88,261
Reproduction and hire fees receivable		10,630	-	10,630	6,902
Fees for filming at the Museum		1,500	-	1,500	650
Education		2,728	-	2,728	1,697
Room hire		47,650	-	47,650	41,300
Contributions from the Society	1(b)	830	168,510	169,340	267,034
Investment income	4	8,356	-	8,356	9,919
Other income		2,203	-	2,203	29,405
Total Incoming Resources		<u>1,011,916</u>	<u>512,776</u>	<u>1,524,692</u>	<u>1,725,039</u>
Resources Expended					
Costs of Generating Funds:					
Investment manager's fees		-	-	-	1,309
Charitable expenditure:					
General costs	5	513,280	19,063	532,343	454,263
Conservation		70,746	2,000	72,746	78,229
Education		65,752	7,000	72,752	61,129
Exhibitions		80,722	41,366	122,088	173,422
Library services		83,717	55,231	138,948	133,199
Maintenance		19,801	15,018	34,819	27,852
Restoration projects		-	398,068	398,068	610,989
Publications		105,875	-	105,875	90,054
Governance		35,330	-	35,330	36,242
		<u>975,223</u>	<u>537,746</u>	<u>1,512,969</u>	<u>1,665,379</u>
Total Resources Expended		975,223	537,746	1,512,969	1,666,688
Notional cost of capital		9,044	-	9,044	11,643
Total Expenditure including Notional Costs		<u>984,267</u>	<u>537,746</u>	<u>1,522,013</u>	<u>1,678,331</u>
Net Incoming / (Outgoing) Resources		27,649	(24,970)	2,679	46,708
Net gains on investment assets	8	-	-	-	5,629
Reversal of notional costs		9,044	-	9,044	11,643
Net Increase / (Decrease) in Funds		36,693	(24,970)	11,723	63,980
Transfers between Funds	15,16	34,387	(34,387)	-	-
Fund balances brought forward		<u>1,380,251</u>	<u>59,357</u>	<u>1,439,608</u>	<u>1,375,628</u>
Fund balances carried forward	14	<u><u>1,451,331</u></u>	<u><u>-</u></u>	<u><u>1,451,331</u></u>	<u><u>1,439,608</u></u>

* Restated figures relate to the reclassification of figures for 2004-05 to comply with the provisions of SORP 2005
All of the Museum's activities are continuing. There were no recognised gains or losses in the year other than those disclosed in the Statement of Financial Activities.

Balance Sheet at 31 March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed Assets					
Tangible assets	7		1,213,989		1,179,002
Investments	8		-		-
			<u>1,213,989</u>		<u>1,179,002</u>
Current Assets					
Stock		45,356		53,089	
Debtors	9	63,523		111,881	
Cash at bank and in hand	10	<u>259,469</u>		<u>131,751</u>	
		368,348		296,721	
Liabilities: Amounts falling due within one year	11	(131,006)		(36,115)	
Net Current Assets			237,342		260,606
Net Assets			1,451,331		1,439,608
UNRESTRICTED FUNDS					
General fund	15	237,342		210,315	
Designated fund: Heritage Property	15	<u>1,213,989</u>		<u>1,169,936</u>	
			1,451,331		1,380,251
RESTRICTED FUNDS					
DCMS/Wolfson	16	-		37,316	
Designation Challenge		-		10,041	
Education		-		7,000	
Visitors' Survey		<u>-</u>		<u>5,000</u>	
					59,357
			<u>1,451,331</u>		<u>1,439,608</u>

Approved by the Trustees on 5 July 2006

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R.A. Griffiths
Chairman

.....
Tim Knox
Director and Accounting Officer

Cash Flow Statement for the year ended 31 March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Net Incoming / (Outgoing) Resources from the Statement of Financial Activities (SOFA)					
Unrestricted funds			27,649		(201,692)
Restricted funds			(24,970)		248,400
Net Incoming Resources			<u>2,679</u>		<u>46,708</u>
SOFA Adjustments					
Investment income	4	(8,356)		(9,919)	
Depreciation	7	9,066		12,583	
Notional cost of capital		9,044		11,643	
Balance Sheet Movements					
Decrease in stock		7,733		3,685	
Decrease in debtors		48,358		71,932	
Increase / (Decrease) in creditors		94,891		(148,817)	
Total adjustments			<u>160,736</u>		<u>(58,893)</u>
Net Cash Inflow / (Outflow) from Operating Activities					
			163,415		(12,185)
Investment income	4		8,356		9,919
Capital Expenditure and Financial Investment					
Payments to improve tangible fixed assets	7		(44,053)		(189,936)
Purchase of investments	8		-		(677)
Proceeds from sales of investments	8		-		167,691
Increase / (Decrease) in Cash for the Year			<u>127,718</u>		<u>(25,188)</u>
Analysis of Changes in Net Cash Balances					
Net cash balances brought forward			131,751		156,939
Increase / (Decrease) in cash for the year			<u>127,718</u>		<u>(25,188)</u>
Net cash balances carried forward	10		<u>259,469</u>		<u>131,751</u>

Notes to the Financial Statements for the year ended 31 March 2006

1 Accounting Policies

The following policies have been adopted consistently in dealing with all material items in the financial statements.

a) Accounting Basis and Standards

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed investments, and in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP 2005). The financial statements have also been prepared in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, with the approval of HM Treasury, a copy of which can be obtained from the Museum. The change from SORP 2000 to SORP 2005 has involved a re-allocation of costs between expense categories, and the comparative figures in the Statement of Financial Activities and associated notes have been adjusted and restated accordingly.

b) Incoming Resources

All income is accounted for on a receivable basis.

Grant-in-Aid from the Department for Culture, Media and Sport, unless for one-off specified purposes, is allocated to the general fund and is taken to the Statement of Financial Activities for the year to which it relates.

Sir John Soane's Museum Society contributes towards certain costs of the Museum, including the cost of exhibitions, the restoration of No.14 Lincoln's Inn Fields, and other conservation work. The Society is a separate registered charity with independent trustees and therefore the results of the Society are not consolidated with those of the Museum.

c) Expenditure

Expenditure is classified under the principal categories of charitable and other activities rather than the type of expense, in order to provide more useful information to users of the financial statements.

Charitable expenditure and governance costs comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they are allocated to activities on a basis consistent with the use of the resources and on the staff time spent in each area.

d) VAT

The Museum was admitted to the amended scheme for the recovery of VAT which was introduced into the Value Added Tax Act 1994 by Section 98, Finance Act 2001, with effect from 1 April 2001. The Museum is able to reclaim all input VAT that it incurs.

e) Taxation

The majority of the Museum's trading activity is the sale of books and similar literature the subject of which is of an educational nature in accordance with the Museum's objects. It is therefore considered to be exempt from corporation tax under Section 505, Income and Corporation Taxes Act 1988.

1 Accounting Policies (continued)

f) Fixed Assets and Depreciation

Tangible fixed assets, other than non-operational heritage property, are stated at cost less accumulated depreciation. The historical cost of a tangible fixed asset which has been capitalised is not considered to be materially different from its net current replacement cost. Fixed assets costing more than £5,000 are capitalised. Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected life as follows:

Non-operational heritage property	No depreciation as permitted by Treasury Accounting Guidelines
Fixtures and fittings	5 years
Security equipment	8 years

The Museum's main exhibit is the building itself and its arrangements of objects, which must be maintained as nearly as possible in their original state. The building and the objects displayed fall within the definition of non-operational heritage property, and they are considered to be inalienable. As permitted by SORP 2005 and HM Treasury Accounting Guidelines, no valuation has been included in the accounts for those assets in respect of which reliable cost information is not available and conventional valuation techniques are not appropriate. Recently acquired non-operational heritage property is shown at its valuation at the date of transfer to the Museum, together with subsequent restoration and refurbishment costs. Annual Impairment reviews are carried out.

g) Stock

Stock of goods for resale is stated at the lower of cost and net realisable value.

h) Fund Accounting

Unrestricted funds, as set out in Note 15, comprise general funds and designated funds. General funds are available for use at the Trustees' discretion in furtherance of the general objectives of the Museum and have not been designated for other purposes.

Designated funds represent unrestricted funds which have been designated by the Trustees for specific purposes in furtherance of the general objects of the Museum.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Museum for particular purposes. The aim and use of each restricted fund is set out in Note 16.

i) Leases

Rentals under operating leases are charged to the Statement of Financial Activities as they arise.

j) Notional Cost of Capital

In accordance with Treasury Accounting Guidelines, the notional cost of capital is calculated on the average net book value of all assets and liabilities excluding donated assets and those funded by Lottery grants. The cost of capital rate for 2005–06 is 3.5%.

Notes to the Financial Statements for the year ended 31 March 2006

2 Grant from Department for Culture, Media and Sport (DCMS)	2006	2005
	£	£
Grant-in-Aid - current	810,000	779,100
Grant-in-Aid - capital	281,000	-
	<u>1,091,000</u>	<u>779,100</u>

Current Grant-in-Aid was available for general running costs of the Museum which include maintenance and conservation.

Capital Grant-in-Aid was provided to enable the Museum to undertake structural repairs to walls and floors in the crypt and picture room areas.

3 Other Grants and Donations	2006	2005
	£	£
Heritage Lottery Fund – Three Courtyards project	57,958	101,419
Other donations for the Three Courtyards project	-	10,191
DCMS/Wolfson Foundation Museums and Galleries Improvement Fund	-	308,370
Designation Challenge Fund	-	26,324
Donations for exhibitions	3,000	10,757
Elizabeth Frankland Moore & Star Foundation - Children's education	-	10,000
Other donations and gift aid recoverable	41,650	33,710
	<u>102,608</u>	<u>500,771</u>

4 Investment Income	2006	2005
	£	£
Bank of England interest	-	1,587
Other interest receivable	8,356	2,762
	<u>8,356</u>	<u>4,349</u>
Dividends from UK stocks and shares	-	5,570
	<u>8,356</u>	<u>9,919</u>

5 Charitable Expenditure					Total	Total
	(a) Staff costs	(b) Direct costs	(c) Depreciation	(d) Allocated support costs	2006	(Restated)* 2005
	£	£	£	£	£	£
General costs	359,873	112,677	9,066	50,727	532,343	454,263
Conservation	15,886	53,775	-	3,085	72,746	78,229
Education	51,156	12,967	-	8,629	72,752	61,129
Exhibitions	39,178	74,981	-	7,929	122,088	173,422
Library services	76,751	50,091	-	12,106	138,948	133,199
Maintenance	3,222	31,009	-	588	34,819	27,852
Restoration	36,547	354,853	-	6,668	398,068	610,989
Publications	40,563	57,974	-	7,338	105,875	90,054
	<u>623,176</u>	<u>748,327</u>	<u>9,066</u>	<u>97,070</u>	<u>1,477,639</u>	<u>1,629,137</u>
(e) Governance	<u>25,449</u>	<u>9,881</u>	<u>-</u>	<u>-</u>	<u>35,330</u>	<u>36,242</u>
Total 2006	<u>648,625</u>	<u>758,208</u>	<u>9,066</u>	<u>97,070</u>	<u>1,512,969</u>	
Total 2005	<u>570,348</u>	<u>990,005</u>	<u>12,583</u>	<u>92,443</u>		<u>1,665,379</u>

* Restated figures relate to the reclassification of figures for 2004–05 to comply with the provisions of SORP 2005

Notes to the Financial Statements for the year ended 31 March 2006

5 Charitable Expenditure (continued)	2006	2005
		(Restated)*
	£	£
a) Staff Costs	623,176	543,225
	<hr/> <hr/>	<hr/> <hr/>
b) Direct Costs	2006	2005
		(Restated)*
	£	£
Restoration	354,853	562,160
Conservation	53,775	58,481
Repairs and maintenance	31,009	25,626
Security	71,831	66,206
Education	12,967	32,379
Exhibitions	74,981	124,350
Library	8,248	11,178
Cataloguing books and drawings	45,967	30,268
Housekeeping	16,919	6,277
Rates, light and heat	23,927	22,930
Trading purchases	53,850	41,031
	<hr/> <hr/>	<hr/> <hr/>
	748,327	980,886
	<hr/> <hr/>	<hr/> <hr/>
	2006	2005
	£	£
c) Depreciation	9,066	12,583
	<hr/> <hr/>	<hr/> <hr/>
d) Allocated Support Costs	2006	2005
		(Restated)*
	£	£
Postage and stationery	17,182	16,197
Telephone	5,995	11,842
General office supplies	19,458	12,530
Entertaining and Promotion	7,529	4,216
Accountancy	16,681	16,044
Bank charges	1,138	1,944
Internal Audit	7,370	-
Legal and professional fees	21,717	29,670
	<hr/> <hr/>	<hr/> <hr/>
	97,070	92,443
	<hr/> <hr/>	<hr/> <hr/>
e) Governance	2006	2005
		(Restated)*
	£	£
Staff costs	25,449	27,123
Auditor's remuneration	7,250	7,000
Legal and Professional	2,430	2,000
Costs of Trustees' Meetings	201	119
	<hr/> <hr/>	<hr/> <hr/>
	35,330	36,242
	<hr/> <hr/>	<hr/> <hr/>

* Restated figures relate to the reclassification of figures for 2004–05 to comply with the provisions of SORP 2005

Notes to the Financial Statements for the year ended 31 March 2006

6 Employee Information

a) Staff costs

	2006	2005
	£	£
Wages and salaries	509,466	434,590
Employer's national insurance	35,830	33,498
Employer's pension contributions (Note 18)	86,450	55,156
	<u>631,746</u>	<u>523,244</u>
Employment costs		
Recruitment costs	1,935	29,047
Payroll services, training and other staff costs	14,944	18,057
	<u>648,625</u>	<u>570,348</u>

No employee received emoluments in excess of £60,000 (2005 - nil).

b) Staff numbers

	2006	2005
	Number	(Restated)* Number
The average number of persons employed, analysed by function was:		
General museum activities	13	13
Special exhibitions and activities	1	1
Trading	2	2
Library service	2	2
Education	1	-
Maintenance	1	1
Research	1	1
Governance	1	1
	<u>22</u>	<u>21</u>

* Restated figures relate to the reclassification of figures for 2004–05 to comply with the provisions of SORP 2005

c) Trustees

The Trustees neither received nor waived any emoluments during the year (2005 - nil). Expenses reimbursed to one of the trustees in the year amounted to £41 (2005 - £29).

Notes to the Financial Statements for the year ended 31 March 2006

7 Tangible Assets

	Freehold Heritage Property £	Security Equipment £	Fixtures & Fittings £	Total £
Cost				
At 1 April 2005	1,169,936	79,194	45,268	1,294,398
Additions and improvements	44,053	-	-	44,053
At 31 March 2006	<u>1,213,989</u>	<u>79,194</u>	<u>45,268</u>	<u>1,338,451</u>
Depreciation				
At 1 April 2005	-	70,128	45,268	115,396
Charge for the year	-	9,066	-	9,066
At 31 March 2006	<u>-</u>	<u>79,194</u>	<u>45,268</u>	<u>124,462</u>
Net Book Value				
At 31 March 2006	<u>1,213,989</u>	<u>-</u>	<u>-</u>	<u>1,213,989</u>
At 31 March 2005	<u>1,169,936</u>	<u>9,066</u>	<u>-</u>	<u>1,179,002</u>

Sir John Soane's Museum Society donated the property, No. 14 Lincoln Inn Fields, to the Museum on 26 March 2004. It was valued at that date on an open market existing use basis by Drivers Jonas, Chartered Surveyors, in order to comply with HM Treasury Accounting Guidelines for non-operational heritage assets. The valuation was made in accordance with the *Appraisal and Valuation Standards* published by the Royal Institution of Chartered Surveyors. The property was originally acquired by the Society with the support of the National Lottery through the Heritage Lottery Fund, and cannot be disposed of by the Museum without the approval of the Trustees of the National Heritage Memorial Fund. The Trustees consider it to be not appropriate to spend further funds on annual revaluation.

The other freehold properties and collections owned by the Museum are considered to be inalienable and are integral to the objectives and purpose of the Museum. Further details concerning these can be found in the Annual Report. No cost is attributed to Nos. 12 and 13 Lincoln's Inn Fields or the collections as these have been in the Trustees' ownership since 1837, reliable cost information is not available, and conventional valuation techniques are not appropriate.

8 Investments

	2006 £	2005 £
Market value brought forward	-	161,385
Additions	-	677
Disposals (net proceeds)	-	(167,691)
Net gains on disposal	-	5,629
Market value carried forward	<u>-</u>	<u>-</u>
Historic cost carried forward	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 March 2006

9 Debtors	2006	2005
	£	£
VAT recoverable	31,534	71,565
Other debtors	5,842	6,605
Prepayments and accrued income	26,147	33,711
	<u>63,523</u>	<u>111,881</u>

Included within accrued income is £22,267 of grants which are to be paid by Sir John Soane's Museum Society.

10 Cash at Bank and in Hand	2006	2005
	£	£
National Westminster Bank plc	258,550	129,815
Cash in Hand	919	1,936
	<u>259,469</u>	<u>131,751</u>

11 Creditors: Amounts falling due within one year	2006	2005
	£	£
Accruals and deferred income	121,262	36,115
Other creditors	9,744	-
	<u>131,006</u>	<u>36,115</u>

12 Operating Lease Commitments	2006	2005
	£	£
Annual commitments in respect of equipment leases ending between two and five years	1,196	1,196
	<u>1,196</u>	<u>1,196</u>

Notes to the Financial Statements for the year ended 31 March 2006

13 Reserves Policy

The Trustees have reviewed the Museum's need for reserves in line with guidance issued by the Charity Commission. The guidance defines free reserves as 'income which becomes available to the charity and is to be spent at the Trustees' discretion in furtherance of any of the charity's objectives, but is not yet spent, committed or designated'. At the balance sheet date, free reserves comprised the following:

	2006 £	2005 £
Total funds per balance sheet	1,451,331	1,439,608
Heritage property	(1,213,989)	(1,169,936)
Restricted funds	-	(59,357)
Fixed assets held for charity use not within designated funds	-	(9,066)
Free reserves at 31 March	<u>237,342</u>	<u>201,249</u>

The free reserves provide the Museum with working capital to enable it to manage its cash flow and to provide some flexibility in the day to day operation of the Museum. In view of the funding agreement with the Department for Culture, Media and Sport, the Trustees consider the level of reserves to be adequate for the Museum's basic requirements, but are constantly exploring ways in which to increase the level of unrestricted income in order to develop the Museum's activities.

14 Analysis of Net Assets

	General Fund £	Heritage Property £	Total Unrestricted Funds £	Restricted Funds £	Total Funds £
Represented by:					
Tangible Fixed Assets	-	1,213,989	1,213,989	-	1,213,989
Current Assets	361,081	-	361,081	7,267	368,348
Current Liabilities	(123,739)	-	(123,739)	(7,267)	(131,006)
Balances at 31 March 2006	<u>237,342</u>	<u>1,213,989</u>	<u>1,451,331</u>	<u>-</u>	<u>1,451,331</u>

15 Unrestricted Funds

	General Fund £	Heritage Property £	Total Unrestricted Funds £
Balances at 1 April 2005	210,315	1,169,936	1,380,251
Income	1,011,916	-	1,011,916
Expenditure	(975,223)	-	(975,223)
Transfer	(9,666)	44,053	34,387
Balances at 31 March 2006	<u>237,342</u>	<u>1,213,989</u>	<u>1,451,331</u>

Funds are not held for grant making purposes.

The Heritage Property represents the value of the non-operational heritage property donated to the Museum in 2004. Transfers into the fund represent money spent on the restoration of the property during the year which has been capitalised (see Notes 7 and 16).

Notes to the Financial Statements for the year ended 31 March 2006

16 Restricted Funds

	No. 14 Restoration £	Conserva- tion £	DCMS Capital £	DCMS/ Wolfson £	Designation Challenge £	Education £	Exhibition £	Library £	Strategy Fund £	Three Courtyards £	Visitors' Survey £	Total £
Balance at 1 April 2005	-	-	-	37,316	10,041	7,000	-	-	-	-	5,000	59,357
Income	34,387	3,069	281,000	26,648	-	-	41,366	45,190	4,063	77,053	-	512,776
Expenditure	-	(3,069)	(281,000)	(63,964)	(10,041)	(7,000)	(41,366)	(45,190)	(4,063)	(77,053)	(5,000)	(537,746)
Transfers	(34,387)	-	-	-	-	-	-	-	-	-	-	(34,387)
Balance at 31 March 2006	-	-	-	-	-	-	-	-	-	-	-	-

Funds are not held for grant making purposes. Restricted funds are as follows:

The No. 14 Fund represents money received from Sir John Soane's Museum Society for the restoration of No. 14. Funds spent on the restoration of No. 14 have been capitalised as part of the cost attributable to No. 14 and have accordingly been transferred to the Heritage Property fund as permitted by paragraph 111 of SORP 2005 (see Notes 7 and 15).

The Conservation Fund held funds raised specifically for conservation purposes including the restoration of particular artefacts and the conservation of artefacts in general.

The DCMS Capital Fund held money received from the Department for Culture, Media and Sport for structural repairs in the basement.

The DCMS/Wolfson Fund received funds for lighting improvements to the collections and interiors of the Museum.

The Designation Challenge Fund held money received from the Designation Challenge Fund for specific exhibition work, and library cataloguing.

The Education Fund held money received from the Elizabeth Frankland Moore and Star Foundation. £1,000 per month was used from January 2005 onwards for the education of children.

The Exhibition Fund received donations of £38,366 from Sir John Soane's Museum Society and £3,000 from the Arts Council towards the cost of exhibitions.

The Library Fund received £44,883 from Sir John Soane's Museum Society and £307 from other donors towards the cost of library cataloguing.

The Strategy Fund received money from Sir John Soane's Museum Society towards strategic planning.

The Three Courtyards Fund received £19,095 from Sir John Soane's Museum Society and £57,958 from the Heritage Lottery Fund which was used towards the cost of restoring the Museum's three internal courtyards.

The Visitors' Survey Fund held money received from the Department for Culture, Media and Sport towards the costs of a survey of visitors.

Notes to the Financial Statements for the year ended 31 March 2006

17 Financial Commitments

At the balance sheet date the Museum was contractually committed to the following expenditure:

Wolfson project	£ nil	(2005 - £ 33,711)
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18 Pension Arrangements

Employees of Sir John Soane's Museum are members of the Civil Service Pension arrangements (CSP). The CSP is an unfunded multi-employer defined benefit scheme and as such Sir John Soane's Museum is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk). The level of contributions to the scheme was determined by the Government Actuary and the cost to the Museum is shown in Note 6(a). The rates of contribution by the Museum for 2005–06 were:

Salary range	rates
£0 – £18,000	16.2%
£18,001 – £37,000	18.6%
£37,001 – £63,500	22.3%

19 Related Party Transactions

Sir John Soane's Museum is a Non-Departmental Public Body whose sponsor department is the Department for Culture, Media and Sport. Transactions with the Department, the Heritage Lottery Fund and the DCMS/Wolfson Foundation are shown in Notes 2 and 3.

20 Sir John Soane's Museum Society

The Society exists to assist and promote the charitable work and activities of the Museum. The Chairman of the Trustees, Richard Griffiths, and the Director of the Museum, Tim Knox, are directors of the Society but all other directors of the Society are independent of the Museum. The accounts are therefore not required to be consolidated. Details of transactions with the Society are shown elsewhere in the financial statements.